

JAN 25 2017

A BILL FOR AN ACT

MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. One of the clear lessons learned from the Great
2 Recession that ended in 2009 is the necessity of having
3 sufficient fiscal reserves to help carry the state through
4 challenging economic conditions. Now that the economy is
5 rebounding and more revenues are available, a concerted effort
6 must be made to further capitalize the state's fiscal reserves.
7 To this end, several measures have been enacted to
8 accelerate replenishment. Act 124, Session Laws of Hawaii 2011,
9 temporarily diverted tobacco settlement moneys from the
10 emergency and budget reserve fund to the general fund in fiscal
11 years 2011-2012 and 2012-2013, and resumed transfers from the
12 tobacco settlement into the emergency and budget reserve fund in
13 fiscal year 2013-2014. In addition, the following
14 appropriations have been authorized and deposited to the
15 emergency and budget reserve fund: Act 267, Session Laws of
16 Hawaii 2013, appropriated \$50,000,000 in fiscal year 2013-2014;
17 Act 64, Session Laws of Hawaii 2016, appropriated \$1,000,000 in
18 fiscal year 2015-2016; and Act 104, Session Laws of Hawaii 2016,
19 appropriated \$150,000,000 in fiscal year 2016-2017.

S.B. NO. 943

Report Title:

Appropriation; Emergency and Budget Reserve Fund

Description:

Makes a general fund appropriation of \$25,000,000 for fiscal year 2017-2018 to further capitalize the Emergency and Budget Reserve Fund.

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JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT MAKING AN APPROPRIATION TO THE EMERGENCY AND BUDGET RESERVE FUND.

PURPOSE: To make an appropriation for fiscal year 2017-2018 to further capitalize the Emergency and Budget Reserve Fund.

MEANS: Appropriate general funds.

JUSTIFICATION: One of the clear lessons learned from the Great Recession that ended in 2009 is the necessity of having sufficient fiscal reserves to help carry the state through challenging economic conditions. Now that more revenues are available, a continued concerted effort must be made to further capitalize the state's fiscal reserves.

Act 124, Session Laws of Hawaii 2011, which temporarily diverted tobacco settlement moneys from the Emergency and Budget Reserve Fund to the general fund in fiscal years 2011-2012 and 2012-2013, resumed transfers from the tobacco settlement into the Emergency and Budget Reserve Fund in fiscal year 2013-2014. Additionally, the following appropriations have been authorized and deposited to the Emergency and Budget Reserve Fund: Act 267, Session Laws of Hawaii 2013, appropriated \$50,000,000 in fiscal year 2013-2014; Act 64, Session Laws of Hawaii 2016, appropriated \$1,000,000 in fiscal year 2015-2016; and Act 104, Session Laws of Hawaii 2016, appropriated \$150,000,000 in fiscal year 2016-2017.

As is fiscally prudent, this Act proposes to further accelerate the capitalization of fiscal reserves by transferring an additional \$25,000,000 to the Emergency and Budget Reserve Fund in fiscal

year 2017-2018. This will bring the projected fiscal year 2017-2018 balance of the Emergency and Budget Reserve Fund up to \$342,200,000 which is 4.51 per cent of general fund revenues.

The general fund appropriation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. For fiscal biennium 2017-2019, total proposed appropriations from the general fund (which include the Executive Budget for fiscal biennium 2017-2019, this measure, and other specific appropriation measures to be submitted) are within the appropriation ceiling in both fiscal years 2017-2018 and 2018-2019.

Impact on the public: Further capitalization of the Emergency and Budget Reserve Fund will increase the state's fiscal reserves for times of unforeseen economic downturns and natural disasters.

Impact on the department and other agencies: The general fund appropriation will be made to the department that administers the Emergency and Budget Reserve Fund (Department of Budget and Finance).

GENERAL FUND: \$25,000,000 in fiscal year 2017-2018.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BUF 101.

OTHER AFFECTED AGENCIES: Not applicable.

EFFECTIVE DATE: Upon approval.